

A.

1886.
Residency

File No 47808-86

SL NO - 1-19

File No. 478

Collection No.

1886.

HC
Myson Residency

121

Pros. Nos. 1-19
Serial

198.

Subject.

Instructions in regard to the application
of the Income Tax Act II of 1886.

Salaries & pensions paid to Myson officials
residing in the C & M Station of Bangalore are
not liable to Income Tax.

Previous References.

Later References.

Regr. No.

1886.

RESIDENT'S OFFICE.

Proceedings.

File No. 478 of 1886

List of References.

From

The Collector C & M. S. of Bangalore

No. 412-59

Dated 26th July 1886

Enc. - Nil

Received 29th -- do --

Spare copies. nil

Subject.

Instructions by the Resident in regard to the application of the Income Tax Act II of 1886.

Salaries and pensions. Part I.

Notes and orders.

S No 1

In the above letter the Collector states, that one Mr. Picken, employed as a deputy Jailor under the Durbar, on a salary of Rs 1200 per annum, is in receipt of a pension from the British Govt amounting to less than Rs 500 per annum, that although British officers serving under the Durbar are not taxed, yet Mr. Picken has been assessed by the Paymaster of Pensioners, which has been approved by the Pay Examiner at Madras; and that Mr. Picken neither draws his salary (as Deputy Jailor) from the Resident's Treasury nor resides in the station.

With reference to the above.

(Continuation of Note or Précis.)

Major Maltby observes that so far as he reads the Act - section 1 - he thinks that Mr. Picken is not liable to the tax, in as much as he does not reside in the C. & D. S. & is not a servant of the Government of India or of a Local authority established in the exercise of the powers of the Governor General in that behalf.

3 Major Maltby in conclusion requests an early reply as to the correctness of the interpretation put by him upon the Act, as the point in question is an important one.

4 With regard to the above, office begs to submit that the interpretation put by Major Maltby is quite correct. The pay of Mr. Picken is not liable to the tax, as he is serving under the Durbar (vide section 1, Part I of Schedule II as to the application of the Act). His pension from the British Government is not also subject to the tax, as it is below Rs 500 (vide section 5 (1) (2)). May Major Maltby be therefore informed that his reading of the Act is correct.

Subramanya.

3/8/06.

5 It seems to me clear that under the circumstances represented in Major Maltby's letter Mr. Picken is not liable to income tax his pension being under 500 ~~Rs~~ p.a. and the pay he draws from the Mysore Govt. being subject to income tax. Whether he has property in Mysore or elsewhere I do not know - and it is not quite

7 Letter to the collector of the C.M. station issued. N^o $\frac{2194}{4786}$ dated 4th August 1886.
B.B.

8 Letter from the Collector, Civil and
M. S. N^o 86, dated 21st October 1886.

S. No 3.

In this letter Major Maltby enquires, if the pensions paid by the Mysore Govt. within that State, to persons residing in the C.M. station, are liable to the Income tax, and observes that under Part II of the Second Schedule to the Act, a pension is assessable if the same is paid in the C.M. S. to a person residing there.

9. The Collector assumes, that the Mysore pensioners in question (who are said to reside in the station) are not liable to the Income tax, if they draw their pensional the Mysore State Treasury, & adds that he has made the present reference, as the Treasury officer informs him, that Mysore pensions are subject to taxation in British India.

10. The opinion expressed by the collector is correct. Mysore pensions paid at the State Treasury, to or on behalf of persons residing in the station, are not liable to the Income tax because,

(a) they are not paid in the station, vide Part II of 2nd Schedule to the Act.
& (b) they are not incomes accruing and arising or received in the C.M. S. which. vide section 3(5) of the Act.

clear from the Collector's letter
whether the assessment made
by the Pay Master & implemented
by the Pay Examiner was based
on the calculation of pension
& income from Durbur & other
other sources also. Assuming that
the Collector means that the assess-
ment has been made on the pension
plus Durbur income, Mr. Picken
is not liable.

Resident

Mr.
3/8/06

6

He has no other income
excepting what arising from
pension in British India
except the pension. The
agreement that he seems
except for, ~~except for~~
Sec 5 (1)

He is not touched
by the act as
extended territorially
to C & M.S.

3/8/06. M.

can be assessed under Section 4 of the Act.

11. But if Mysore pensioners, residing either in the C & M. S. or in British India, draw their pensions at the place of their residence, then their pensions are liable to the tax, as they are incomes accruing & received, either in the C & M. S. or in British India, as the case may be. The Treasury officer may therefore be correct in stating that Mysore pensions are taxed in British India.

12. In the present case as the Mysore pensions are paid in that State, they are not subject to taxation in the Station. May the Collector be told accordingly? In the letter to the Collector it would be preferable not to refer to the taxation in British India.

13. A draft accordingly is submitted for favour of approval.

Subramanyam.
27/10/86

14. The rule taken in para 10 & 11 of the 1st is I think correct & draft may go on.

15. Resident Mr. J. J. 29/10
30/10/86

10 Letter to the Collector, C & M station.
issued No. $\frac{2921}{4780}$ of 1st November 1886.

S. No 4.

A.R

17 Letter from the Collector C & M.S.
No. 206, dated 30th November 1886.

S. No 5.

18 In his letter No. 1089, dated
25th October last the officer in charge
of the Residents' Treasury, with
reference to item No. 1 of the objections
statement for September 1886, informed
the Accountant General, that V.
Rungachariar was in the first
instance granted an ad interim
pension of Rs 48-13-2 per mensem,
which was disbursed to him from
the Residents' Treasury. As his pension
exceeded Rs 500 per annum the
Income tax was levied from him.

S. 5
a

19 The Treasury officer further
stated, that the Resident subsequently
sanctioned a pension of Rs 48-2-1
per mensem to Rungachariar,
a portion of which viz Rs 35-6-4
is being paid from the Durbar's
Treasury, while the remainder Rs
12-11-9 is being paid by him. The
Treasury officer submitted, that
as the amount of pension drawn
by Rungachariar from the British
Govt. is less than Rs 500 per annum,
he was not in his (Treasury officer's)
opinion liable to taxation, and
unless he heard to the contrary

from the Accountant General, he would in obedience to his orders recover the tax from Rungachariar for August and September from his pension bill for October last.

20. The Treasury Officer added that if the Accountant General considered that Rungachariar was fairly liable to the tax on the amount of the pension he draws from the Residents Treasury, then ^{the} other pensioners who draw their pensions partly from the British Govt and partly from the Mysore State were also liable to the Income tax.

P. 5 of Grinley's Memo.

21. To the above, the Accountant General in his letter no. 3353, dated 26th November 1886, replied that as to the levy of the tax on the portion of the pension of Rs 12-11-9, drawn by Rungachariar, from the Residents Treasury, there could be no question, as it was clearly known that the pensioner had other income which when added to his pension from the British Govt exceeded Rs 500 per annum. ^{on this point} The Accountant General referred the Treasury Officer to note 1, under section 4 of the Act in Mr. Grinley's Income Tax Manual.

22. As regards the liability to taxation of the other portion of

~~the other portion~~ of the pension, drawn by Rungacharar from the Durbar's Treasury. The Accountant General observed, that the settlement of the question was dependant on the further question whether or not the pensioner resided in British India. If he did then the amount of pension he drew from the Durbar's Treasury was also assessable agreeably to the note to Section 3(5) of the act in ^{Vol. II} Grimley's Manual which gives a Finance Deptt. order No. 12370 of 21st December 1860 which runs as follows:-

P. 3 of Grimley's Manual

A party residing in the British territories in India will have to pay upon any income or profits from whatever source derived, which such party may receive in India.

23

The Accountant General stated that in the present case it may be argued, that the actual receipt did not take place in British India, but that from the second para of the note no stress should apparently be laid upon this circumstance, the fact that the pensioner enjoys other income from whatever source

Note to Sec. 3(5) Manual

derived only being considered.

24 The Accountant General concluded by stating that the above opinion applied with equal force to the cases of other officers referred to in the Treasury Officers letter.

Sl. no 5.

25 With the letter under disposal the Collector forwards a copy of the correspondence referred to above and states that the instructions of the Accountant General seem to be directly opposed to the rulings of the Resident contained in Serial Nos 2 and 4. He therefore requests to be favoured with authoritative instructions on the point as if the pensioner Rungacharias is to be taxed, then every one (Mysore Government Officials, traders, lawyers &c.) who live in the Civil and Military Station, but draw their pay or pension, or earn their income outside its limits in the Mysore State will also be liable to assessment and will have to pay up the arrears due since the introduction of the Act - as the Collector assumes that there is no difference between pensions and salaries and incomes derived from trade.

26

In Conclusion the Collector

says that he certainly believed that it had been ruled that the classes of persons he is referring to were not liable to taxation, but that the Accountant General's letter reopened the question.

27

With reference to the opinion of the Accountant General referred to in para 21 of this note, it is submitted that it appears to be ~~that it is~~ based on the words "all sources of income" which occur in note 1 to Section 4, in Mr. Grimley's Manual. But office begs to submit that if the note in Mr. Grimley's Manual were read together with the definition of "Income" as given in Section 3(5) of the Act, it appears that the "incomes and profits accruing and arising or received in British India from all sources" should alone be taken into consideration in determining whether a person is liable to the tax or not.

28

As regards the opinion of

the Accountant General referred to in paras 22 and 23 of this note, it is respectfully submitted that the authority on which it is based seems to be not in force now & therefore inapplicable for taxing the Mysore State pension of a person residing in the C & M.S. or in British India, the Acct General quotes note, under Section 3(5) in Mr. Grimley's Manual. This note 1, is a Finance Deptt order (No. 12370) issued on 21st December 1860, probably under the old Income Tax Act ~~XXXII~~ of 1860, as it is in conformity with Section I of that act, which authorized the levy of the tax on the incomes of persons residing in India. viz. British India Section CCXLVIII - 2) irrespective of the Consideration where the income accrued and arose to, or was received by, the person. This order of 1860 does not appear to be in force under the present act, as it is nowhere stated in it that the old rules are in force under it. Mr. Grimley in the N.B. in page 70 of his Manual states, that the rules under the old act are not issued as authorized instructions under the present act.

Slip A in bound
Vol. of Calcutta
Gazette put up.

but that they are published for the sake of the general principles. They contain and on that account are likely to be useful in dealing with references. Besides the order of 1860 ^{does} ^{appear to be} not in conformity with section 3(5) and the 2nd Schedule to the present Act, because it is clearly stated in it that incomes to be considered for assessment are "incomes accruing and arising or received in the ^{or in} Station" or in British India. Further the two orders of the Madras Govt. Nos 5484 1730, dated respectively the 3rd & 30th July 1886, on the subject appear to confirm the views held by the office.

Pages 82 & 86 of the
Meades Income Tax
Manual.

29. The Govt of India has ruled that British officers sent to ^{& paid by} native states are not liable to the tax. While so it appears doubtful whether merely because a Mysore State Servant or pensioner happens to live in C & M.S. he is subject to the tax. (Please see para 11 of the note).

Y. of I. Recd. N:
2650 Y. 21. Aug. 86
put up below.

Panama
Mackay's history tells us
that the Spaniards lived in
Cocle - better than
it was in mineral ac-
tion the former steps
in respect to Panama a
native state.

30 Paras 16-15 of this note give the previous history of the case. Submitted for favour of orders with a copy of the Acc. as extended to the Station.

Subramanyam.
16/12/86

Page 12 of Grimley's
Manual.

31.

The Expression "income from all sources" in Section 5(1) of the act has been explained by the Board of Revenue, Bengal. to mean "all sources whether taxable or not." This explanation when read together with the definition of income, as given in Section 3(5) of the act appears to mean, incomes and profits accruing and arising or received in British India from all sources whether taxable or not. Of the ^{all} incomes in British India or in M. Station, those that are not taxable are those given in Section 5(1) of the act. Incomes accruing and arising or received in the Mysore State do not appear to be liable to the tax.

Subramanyam
16/12/86. D. 17.12.86.

32.

The point raised is one which can hardly be said to be altogether free from some uncertainty. So far as the case is understood by me I am inclined to disagree with the Office which is to say that the person affected is liable to assessment - the point is whether a pensioner

who resides in the C & M. Stⁿ

and enjoys a pension of £48.2.1,
^{a portion} of which viz £35.6.4 is paid by the
Mysore State, the balance £12.11.9 being
advanced by the British Govt., is liable to income
tax on the grounds that his income from
all sources exceeds 500rs p.a. It is claimed

for the applicant that his taxable income
is represented by $12-11-9 \times 12 = 152-13$,
^{P. A.}
because £35.6.4 paid by Mysore is not
received by him in British India, whereas the
C & M. Stⁿ.

33 On general grounds it seems true that any
person who enjoys the benefits of our Adminⁿ
by residence in British India cannot reasonably
complain if he be called upon to pay his

share of the burden of taxation if there was
 kinship involved in this case. I would say
 as the point is a doubtful one, let the provisions
 of Sec 3. (Cl 5) be construed as liberally as
 possible; but as all incomes above 500/- p.a.
 enjoyed by his pensioners neighbours are
 chargeable with income tax, and as his
 & their positions in respect to the benefits both
 series are identical, I cannot see why they
 should pay & he escape -

- 34 Moreover it appears to me perfectly reasonable
 to argue that a person receives his income
 when he lives & spends it, and that
 for the word received in Cl 5 Sec 3. enjoyed
 might be substituted without interference
 with the meaning & extent of that Secⁿ

~~20/11/60~~ ~~20/11/60~~
 Has our income tax Act (~~XXXX~~ 9 1860)
 86

places the point was raised before double
 so far as that act was concerned, but the
 one under which the tax is now levied is
 not so clearly correct -

OR

20 ¹²/₈₆

Present

35

We should wish to know there is
 nothing in either of the provisions
 to which we are referring in the Pichon case
 the Pichon resides in, it is an outside
 C.A.S. limit, ^{and as though} ~~that~~ a British subject
 he is in no way in the service of the British
 and it is not a British subject. But remained the question
 either in a private or personal capacity. But remained the question
 whether under the Regulation which is in force in the
 C.A.S. - when the place of birth is
 there, the Pichon could be taxed.
 It would seem that his pension paid
 in the C.A.S. does not come under Sec 11 Part (1)
 as long as he is in the C.A.S. it was
 not paid to a person residing in the C.A.S.
 But remained the question whether the Pichon
 having the Pichon was taxable in respect of his
 pension on the ground that it was a pension
 in the C.A.S. under Part 11. The
 court seems to have left them to decide.

was not taxable in the C & M.S. by itself, being exempt
~~did not make the Pension taxable~~ ^{under Sec 5-5}
 and the Pension's salary paid to him in 1936
 under the C & M.S. and received in 1937
 was not income ~~at~~ within the meaning of
 Sec 3 (5) - In the above opinion I find that
~~he enjoyed any other income but the pension~~
 accrued or arose to or was received by the Pension
 in the C & M.S. ~~that~~ I held that the
 pension was exempt by Sec 5-5.

~~Prigodine~~

36

Another ruling of mine for collection
refers appears to be true - sometimes!

in Maj. Fries $\frac{2921}{1570} = 1.86$ in 1921

This ~~letter~~ ^{writing} was written in July to another

For collection asking whether funding paid to
the program state outside the collection

A man residing in the C. & O. is
liable to be exposed. I know of no

and I see that it is in accordance
with C.O. 630 - D. 30 June 86 of Madras
Govt and Mad Board's Procs dt
30 July 86 No 1730.

Mr. Point Munson is cleared and
Collection must act accordingly -

21/12/86. *[Signature]*

Min

37

A bill should be drafted in some
way or almost so. The bill will
be unpopular and will cause a great
~~amount~~ ^{some} of the people to leave the C.M.S.
but I do not know that there is any
injustice in it. If however we
income tax was to be imposed ^{by the District}
~~the C.M.S.~~ in Mysore territory
outside the C.M.S. people might
be doubly taxed on the same income
& your questions would arise.

Draft
M

38

Letter from the Collector C.M.S.

No. 29. dated 22nd April 1887.

Serial 8.

In this letter Colonel Maughan
states that in accordance with the
terms of para 4 of Serial 6 (para 36 of this

~~the bill is recommended by the
Joint Committee of the Mysore State
and officials of the Mysore State
and the Station whose annual~~

income is over Rs 500, but that several of them returned the notices with a statement - that - they are not amenable to the Income tax as their income does not accrue and arise or is received within British India as prescribed in Section 3 Sub-section 5 of the Income Tax Act.

39. In Connection with the above the Collector forwards two letters, one from Mr. Eagles and the other from Mr. Barrow, ^{two Deputy Officers} stating that they are not liable to the tax on their Salaries, ^{the Collector} ~~and~~ requests that a formal ruling on the subject may be passed and communicated to the Dewani for circulation to the Heads of Departments under the Durbar.

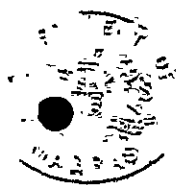
40. The Collector observes that it appears to be anomalous that some Mysore officials and others who are paid by the Mysore Govt. but who happen to reside in the station should be taxed on their salaries when their fellow officials who live just over the boundary in the Peth of Bangalore and elsewhere should be wholly exempt from taxation.

41. The present question has been fully discussed in the previous portion of this note. Submitted for favour of orders.

C.H.S.

25/4/87

$$S \frac{8}{A} + \frac{8}{6}$$



42 Mr. Galt presumes that his testimony
will probably create uneasiness
from Berlin. Officials & knows he
did not desire himself to take the
initiative he was prepared to
represent the case to Govt. Should
it be properly ~~represented~~ put before
him by the Govt & D. M.

43 The point is whether a residence
in the C & M St^h per se involves
liability to contribute to the Imp.
Income tax when a man earns his
income which he earns in the
Union State but spends in the
C & M St^h. The intention of
81

of the Act is to think of them

in the light of the ruling -

44 The question is one which admits of argument pro or con - but, if the law is legally justifiable, I

as regards the propriety
of separating the legal
of having broken
Offences

shall be inclined to say to the

petitioners that we cannot recognize

their objections & that any representations

they may wish to make should be

presented to the Doctor. This will

bring the matter before him at

once as the Doctor if they

thought they had any case,

whose address is dealing with

the question as a whole, when it

could be repeated, if necessary, to

the State of India -

OR:

26 $\frac{4}{89}$

Part

45 I don't think it likely that any ground
could be found for distinguishing the case
after the manner of the other officers from
any other income accruing in the British
territories, but used in the C. & L. State.
There may be some cases of officers from territories
referred to in the case of landward officers
& even of consuls (I remember the
Italian consul at Calcutta, since the
time of the officers of the court) &c.
I am obliged by your looking up the
points in any books on international
law available at Bangalore & tell of
in kind, but the case of a foreign
officer making a large sum of money
in the territory with great
success. I am, Sir, very
79

improving them. Officers of the Service
are expected to have the knowledge of such
a character.

46 They put their own case in regard to the
financial condition of a railroad ~~company~~
— having just passed a line outside
the limit of available stations. They let
it go to the effect that this money is not
"received" in the C & M. Station
& I wish to state that

The word "received" is not used in
connection with the railroad company.
but I believe the construction which has
hitherto been put on it has been that
when the act of the company is
by a man in India, India means
the whole of the money is to be collected
on the receipt of a statement
of the means of the company in
India. India means the whole of the
money the whole of the money
and I wish to say that
for the money which is not
noted in Section 3(5) of the present
act but the money is at the

Off-
pays 1/2 per
27/5/07

Feb 26 of the hundred thousand
 at 1/2 of 1/2 to another (466
 7: 116 86) on page 81 an instruct
 authorisation in force of the contract.
 It may be added that the contract is
 concluded by the parties in the
 contract it is difficult to see what
 other benefits. Right of adding
 the words "or received" in the
 act of the 1/2 of the contract.
 in the case of the contract by the
 1/2 of the contract by the 1/2 of the
 the contract in the contract
 unless it is a part of the contract
 others pay when there is a contract
 a contract of the contract. So the
 words "or received" will be of the
 last of I suppose there can be no doubt
 whatever that the contract is
 the contract is the contract in the contract
 with the contract of the contract.
 as a contract of the contract in the contract
 to the contract which follows is
 first of the contract.

1. seen with 2 covered to find point
of view ~~at the~~ in the
line by inspection of the case =

47. Draft Report of action on page 46
slight in the 2nd letter in about
the same. The first on page 45

Dr.

29.4.47

48. With ref. to Mr. Thompson

(Chap.) with ref. to Radel

a person. To the latter to the fact

of India says of what other action

is being taken by the Govt.

with other members of the Govt.

the Govt. has taken the action

involved beyond the Govt. has taken

a for any other person is never

brought into the Govt. has taken

~~except~~ not to be taken

Dr.

29.4.47

copy of report sent
to Govt. has taken
part of India

22d of the "United States"
 at 11.68 on page 81 an extract
 authentic in form of the contract.
 It was added that the contract
 included for the "United States"
 contract it is different from what
 others have been the object of adding
 the words "received" in the
 act of the "United States"
 in the case of the contract for the
 11.68. The first part of the contract
 the "United States" in the contract
 which it was paid at the time of
 the payment of the contract with income
 "received" and "received" and so the
 words "received" "received" and so the
 last of the "United States" can be no doubt
 whatever that the contract is
 but the "United States" is in accordance
 with the principle of the contract
 as a contract for the "United States"
 to the "United States" which follows is
 the "United States" and so the

49

our library to look here & I can
find nothing specially bearing on
the point. What in p. 45.

+
See Chap II pp 147 to 152.

It is not true that there is

any analogy in the present case to

that of a ~~foreign~~ ^{another} Minister to a Foreign
Country - these officials are not

sent to as permanent representatives to
live ~~in~~ in the C & the St.

when they do depart a good reason

for a special concession might doubtless

be urged - they live here simply to

&
Mentions Elements
of Int'l Law.
in note p. 199.

but their own convenience and

notably the divisions
it is ~~difficult~~ to power rules

but undesirable as existing
for their exemption ~~with the~~

a precedent which it is difficult to justify
~~with the~~

The fact of being an official in

anyone's employ: does it seem to

constitute any particular claim to be

absolved from liability to income tax ^{on the part of a person} in the case of

that can be met by ^{an official} anyone

objection - & if all anyone objects

one excepted a good sheet

be taken off our receipts -

50. One case there I think, apart from
its participation under Act 11 of 1856

rest on the broad principle that
all persons residing in a country are
liable to be called upon to contribute
in any general scheme of taxation - beyond
officials. ^{thoroughly speaking} being here ~~are to the interests~~
~~of~~ private persons who no official
status in our limits & if they select
this place as a residence they cannot
complain if they are placed on the
same footing as the other inhabitants.

51. I think I be inclined to offer

but if he chooses to
invest outside our
territory money used
outside our territory
we must let him
escape &

any way of escape to investments
back is there referred to by W. Thompson Chetty,
73

I do not see why they are not

income received here, if it is permitted

W T - C keeps his GC in the C & M St

business he may hope that they justify.

in this case he will receive the

returns in the C & M St.

That the returns are
included in his
taxable income as
they come in

LTC

Dr

27th 87.

Perth

52 Letter to the Foreign Dept. issued
No. 1730/4786. of 4th June 1887.

S. 10.

BTC

53 Letter No. 3163, I. D. 13th July 1887 from
the Foreign Dept. ruling that Income
Tax should not be levied from
officials or pensioners of the Mysore
Durbar, who are resident within the

S. 11.

(Continuation of Note or Precis.)

limits of the C.M.S., in respect of any portion of their income received as official salary or pension from the Durbar.

54. Draft, forwarding^{End^h_n} copy of the above letter to the collector C.M.S. is submitted for favour of approval.

C.H.S.
20/7/87. H.C.

55. Resolved ^{approved?} for information.
21/7 H.C.

56. Appd & 22-7-87
57. M.W. R. 23/7

58. Letter to the Collector, at Distation
Sl 12 issued. No. 2336/4786 of 23 July 1887.
B.R.

A BIT OF "SHARP" PRACTICE—WE CAN-
not call it by a less offensive name, is in
vogue in the Resident's Treasury, Banga-
lore. We will state facts, as they oc-
curred within the last few days. A civil
Pensioner went in person to draw his
pension, amounting to Rupees 13, annas
eight, and pies eight, per month. He
had not been able to draw pen-
sion in April, in consequence of
sickness, so he drew two months'
pension together. The Treasury autho-
rities mulcted him of one rupee income
tax, arguing in justification of this, that
he was drawing in one month Rs27-1-4,
or at the rate of Rs300 per annum! It
was no use to plead that the Treasury
knew this was two months' pension—
and that therefore the annual income was
only Rs.150! This is one of those petty
paltry abuses which Mr LABOUCHERE would
take a delight in exposing. The rule—if
it is an authorized rule—ought to be at
once abolished. We call it a hard-hearted
meanness on the part of Government. If
a poor man is sick and unable for five
months to draw his pension of Rupees
thirteen per mensem, and draws six
months' together, the Government treats
him as a man drawing an annual income
of Rs.936 and mulcts him in income tax
accordingly! Can anything be more
shabby and unjust?

Bangalore Spectator

May 4th 1893

Treasury Officer

With reference to this

Extract please let

me know the facts of

the case note below

Yours faithfully
H. S. D. S. D.

Sir,

The pensioner.
referred to in the
attached slip
appears to be.
Mr J. F. Pereira,
joint proprietor
of the Bangalore Melton.
He draws a monthly
pension of Rs 13-0-10
from our Treasury,
the income tax
upon which (omitting
the fractions) is
5 as 1 and 5 pies.
He drew his pension
for March & April
last viz Rs 27-1-4
or 30 install-
ment charged him
income tax at
Rs 27/. as the
fractions of 2 months
exceeded a full rupee.
This has been done
according to existing
practice.

To The Res. Secy. Resident.
to.

Md. M. D. S. D.
70 6.5.93



Bangalore
10th May/93.

Dear Mr. Clarke.

On the introduction
of the Income Tax Act, all
the Pensioners drawing pensions
from this Treasury, whose income
including pension, exceeded
Rs 500/6 anna, have been
indiscriminately taxed. Subsequently
it was decided by the Asst. Comr.
General that Pensioners living
in the City and whose pensions
do not exceed Rs 500/6 anna,
should be exempted. It will

therefore be seen under
the rules in force, that
Pensioners living in the Station,
whose income from other sources
including pension exceed Rs 500/-
are clearly amenable to the
tax, a practice which is
continued from the time
the Income Tax Act was
first introduced.

Cyren Juttis case
was altogether a peculiar
one, as he was neither living
the Station nor in the City,

but in Pondicherry, on
which score he was exempted
from payment of the tax.

Mr. Pereira's income,
who is living in the Station
as you are aware, exceeds
Rs 500/- & he has been taxed
accordingly - He is lawfully
most unacceptably - is he?

Cyren Juttis
M. J. Juttis

Is he not
with some other
on the same basis -
perhaps the rule -
H. J.

Alga Melanois alba Linn. f. var.

† fe 12.

HP 13. 8. 93

h1

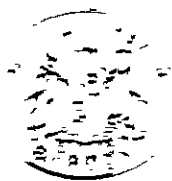


13. V. 93

Apr 75

Dear Mr. Abdul Rehman,

I have enc. a note
from Mr. W. A. Smith
about the tax levied
on persons drawn
from the Hyacin State
of persons living
within the C. M.
District - As the



Collection's Office
Commenced 8 pm
mi. N. $\frac{2536}{4706}$ of the
23. July 89. ? That
Seems to settle the
point almost con-
clusively. How has
it been interpreted?

Very yours
Samuel C. Clark

Dear Mr. Corbett.
 Please see the
 notes in red ink
 by the vacante.
 Carl - you leave
 the weather
 in the hands
 of the who has
 allowed or rather
 not questioned
 the deduction of
 9.7. in similar
 cases. Sincerely
 14.5.93. Alfred Bulmer

Dear Sir,

I sent no separate letter
 to Mr. White other than to that you
 have signed. The letter No 2336
 referred to by him has not been
 communicated to this office & it is not
 even forthcoming in the ^{revenue} Collection Office.
 Mr. White might be asked to send a
 copy if necessary.
 Yours truly
 J. J. J.

109
Kin
[DRAFT]—For approval.

No.

Dated

189

To

Important Income-Tax Decisions.

The GOVERNMENT OF INDIA has ruled that under section 5 (1) (e) of the Income-Tax Act the words "solely employed for religious or public charitable purposes" qualify the word "property" and not the word "income" in connection with the assessment of the incomes of temples, churches, and other religious or charitable associations, and that consequently the income derived from offerings to shrines and temples is exempt from the tax. But although voluntary donations or subscriptions employed for charitable or religious purposes are not held

to form an income liable to taxation, the personal support or expenditure of a minister of religion is not, as regards the taxation of his income, a religious or charitable purpose, and is liable to taxation. It has also ruled that clubs and societies, not engaged in trade or in any pursuit having gain for its object and having no realised property whatever and no income except that derived from the subscription of their members, which is expended for the purpose of the club or society, are not liable to assessment, as such subscriptions are in the opinion of the Government of India not in reality income or profits, but represent the expenditure of the members of the particular club or society for their common purposes. The case is different with proprietary clubs which are maintained with the view of producing an income to the owners, and which are therefore liable to assessment. The Government of India has also decided that the owner of a house letting it on rent should, in estimating his income for the house for the purpose of the Income Tax Act, be allowed to deduct from the rent the amount of any municipal or other tax payable by him as owner.

File 478
1886.

The paper below was made
over the of 1st Aug. 1886
with view to me to find
out something about the
deductions made by the
Ly. or persons etc.

Have written to & have
been told about Nelson
who tells me that under
order from the Ass^t.
Genl. Dwyer, all pensions
paid in the West if amounting
to over \$500 a year are
liable to Income Tax.
Following the instructions
of J. C. Lee ~~and~~ advised
the list of Myrtle pensions
living in the C. for Chas.
V.L., in same cases, draw

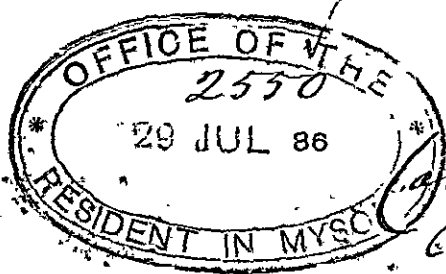
a Small share of their pension
from the Amd^t L^y: this
share in itself is in almost
every case less than \$500
a year, but if added
to the Myria share of the
pension, amounts to more
than \$500 a year.

This question was thrust
upon the office note in
this file, and as there was
a doubt in the matter
it was referred to the G. of I.
who have distinctly ruled
that income tax should
not be levied on any
portion of the Myria share
of pension or salary.

The action of the G. of I.
was communicated to the

29/7/86

No 418
59



Collector's Office
Civil and Military Station
Bangalore 26 July 1886

The Assistant to the Resident
in Mysore

Sir, I have the honour to submit
the following case for the orders
of the Resident.

An European Pensioner whose
pension from the British Govern-
ment is less than Rs 500 per annum
is in receipt of a salary of
Rs 1200 per annum from the Mysore
Government.

He has been assessed by the
Paymaster of Pensioners and the
Pay Examiners at Madras uphold
the assessment.

As the Resident is aware,
British Officers and others serving
the Mysore Government are not
assessed under the Income Tax

Act

Act and I cannot see why
this pensioner should be differ-
ently treated

The Pensioner referred to
is Mr. Picken the Deputy Jailor

He does not reside in the
Civil and Military Station nor
does he draw his salary as Deputy
Jailor at the Residents Treasury.

So far as I read the Act
(Section 1) Mr. Picken is not liable
to be taxed because he does not
reside in the Civil and Military
Station, and because he is not
a servant of the Government
of India nor of a local authority
established in the exercise of
the powers of the Governor General
in Council in that behalf.

The point being important
I request an early reply as to
whether my reading is correct
or not.

I have the honor to be
Sir
Your most obedient
servant
Collector
C. M. Station

[DRAFT.]—For approval.

Dated, 4th August 1886.No. $\frac{2194}{4786}$

To

The Collector
C & M Station
Bangalore

J. no 1.

I am dir: to ask: the receipt of your
letter No $\frac{418}{59}$ dated the 26th July
1886 referring for the orders
of the Resident the question of
the assessment of the Income
Tax of Mr. Picken a Deputy
Magistrate who you state is a
Birmingham Pensioner drawing
a pension of less than 500
Rupees per annum from the
B. Govt and also in receipt
of a salary of 1200 per
annum from the Mysore Govt.
You state that Mr. Picken
does not live in the limits

of the C. & M. Station and that he does not
draw his pay from the Resident
Treasury. You add that.

"He (Mr. Picken) has been as-
sessed by the Parliament of ^{Spain}
Pensions and the War ~~Board~~

at Madrid upholds the as-
sessment and ~~the~~ give you
opinion that as you read the
Income Tax Act II of 1886 (List I)

Mr. Picken is not liable to the
taxes, because he is not a dweller

of the ^{for} of India nor of a
local authority established
in the territory of the houses of
the ^{for} ~~for~~ ^{for} ~~for~~ in Council
in the ~~land~~

2. In reply I am to say that
if the assessment for the
purposes of the Income Tax
of Mr. Picken
of the Income Tax has been
granted ~~to~~ ^{to} him by the B for
based on the pension, and the
pay ^{by him} ~~me~~ ^{from} the ~~Durham~~ only

And this is inferred from
your letter. ~~that~~ your opinion
is correct. It is assumed
that you have satisfied yourself
that Mr. Peckham has not been
assessed in consideration of
~~the~~ source of income in
British India which have not
been asked in your letter

J. J.
4/18/86

No 86.

3

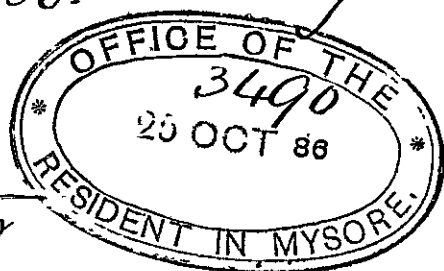
From

No. 25/10

The Collector

Civil and Military Station

Bangalore



To

The Assistant to the Resident
in Mysore

Dated, Bangalore 21st October 1886.

Sir

I shall be obliged by your instructing
me on the following point:-

Are ~~persons~~ ^{pensioners} paid by the Mysore
State, (and paid in that State) to men
living in the Civil and Military Station
liable to the Income tax?

Under the second Schedule, Part I
(i) the pension to be assessable must be
paid in the Civil and Military Station
to some one residing in the Civil and Military
Station. The parties referred to reside in
the Station, but if they get their pension
from the State Treasury, I assume they
are not taxable, but I make the reference
because the Treasury Officer says that

[D R A F T .]—For approval.

No. *2921*
*4786.*Dated *1st Nov*
October 1886.

To

The Collector,
Ct M. S of Bangalore.

Sir,

S. no 3.

With reference to your letter
No. 86, dated 21st October 1886, I am
directed to say that pensions paid
by the Mysore Govt within that
state to ^{or on behalf of} persons residing in the
civil and military stations of
Bangalore, are not liable to the
Income tax leviable under
Act II of 1886.

I have &c.

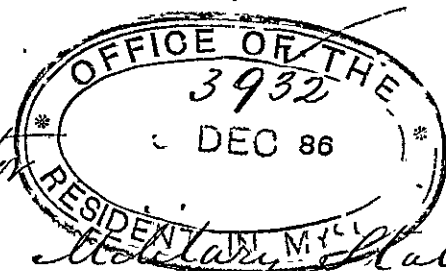
Gud
29-10Subramanyam
27/10/86. *[Signature]*

Act to the Recd.

No 206 Enc: 2

From

The Collector
Civil and Military Station
Bangalore



To

The Assistant to the Resident
in Mysore

Dated, Bangalore, 30 November 1886
Sir

I have the honour to enclose a copy of letter li: 1089 dated 25 October 1886 from the Treasury Officer to the Accountant General and of li: 3353 dated 26th November 1886, from the Accountant General of Madras to the Treasury Office on the subject of the levy of Income Tax on monies drawn by people residing in the Civil and Military Station from the Treasuries of the Native State.

It has already been ruled that Officers serving the Mysore State cannot be taxed notwithstanding that they live in this Station (which for the purposes of the Income Tax Act is

(British India) as they draw their pay in the Native State.

Then again I referred the case of Mr Picken the Deputy Jailor who complained that the tax was levied from him on his salary paid him by the Mysore State, and it was ruled (vide your letters nos $\frac{2194}{4786}$ & $\frac{2921}{4786}$ dated 4th August S.O. 274 and 1st November 1886 respectively) that such salary was not assessable, and that if his pension and other sources of income were below Rupees 500 that he was not liable to tax on them.

The instructions contained in the Accountant General's letter above quoted seem to me directly opposed to the above rulings, and I request authoritative instructions on the point, as if this pension is to be taxed every one (Mysore Government officials, traders, lawyers &c) who live in the Civil and Military Station, but draw their pay or pension or earn their income outside the Station in the Mysore State will also be liable to assessment, and will have to pay up the arrears due

due since the introduction of the Act
as I assume there is no difference between
pensions and salaries or for that matter
incomes derived from trade, I would
add in conclusion that I certainly
believed it had been ruled that the
classes of persons I am referring to,
were not liable to taxation, but this
letter of the Accountant General
re-opens the question.

I have the honour to be
Sir
Your most Obedient Servant
Very truly
Collector. C & M. Station

Ms. A 65.

No 1089

Residents Treasury

Bangalore 25th October
1886

From

The Officer in charge of
Residents Treasury

To

The Accountant General

Madras

Sir

With reference to item 1 of the
objection Statement for September 1886,
I beg to explain as follows -

V. Rungachariar was in the first
instance granted an ad interim pension
of Rs: 48-13-2 per mensem, the whole
of which was paid to him from the Resident
Treasury as his income exceeded Rs. 500
per annum. Income Tax was levied
from him

2. Subsequently the Resident in Mysore
sanctioned the grant to Rungachariar
of a pension of Rupees 48-2-1 per mensem
Of this amount the Mysore Durbar
pays him from their Treasury the sum
of Rs: 35-6-4, the difference viz Rs: 12-11-7
52 per

per mensem is only paid to him by me. Consequently the amount of Pension that Rungachariar draws from the British Government is below Rs: 500 per annum, and he is therefore in my opinion not liable to taxation, and unless I hear to the contrary, I will in obedience to your orders recover the tax from him for August & September from his pension bill for the current month.

3. If you however consider that Rungachariar is fairly liable to the tax on the amount of pension he draws from this Treasury, then the pensioners named in the margin who draw pensions partly from the British Government & partly from the Mysore State should also be taxed.

Mr A.R.

Subapathy Mood

J.F. Pereira

Ramanuja

Iyengar

Eccles

Venkatachar

A Krishniak

and several
others

I have per

(Signed) J. Dias

"Copy"

Officer in charge of

President's Treasury

Ministry

Collector C. & M. Str:

Pension Department

Inc. to B to S A. 5
Fort St. George
Accountant General's Office

N^o 3353

26th November 1886

From

H. F. Clogston Esquire
Accountant General

To, to the Government of Mysore
The Officer in charge of
Residents' Treasury
Bangalore.

Sir

With reference to your letter N^o 1089 dated the 25th October 1886, I have the honour to state that V. Rungachariar draws a pension of Rs. 48.2-1 a month which is debitable to the British Government and to the Mysore Revenues as follows-

Rs. 12.11.9 British Government

35.6.4 Mysore Government

You state that the 1st item only is paid to him, from the British Government Treasury, while the 2nd item is disbursed from the Mysore Durbar Treasury, and you consider that, as the amount of pension payable from the British Government

Treasury is less than Rs. 500/a year, Mr Rungachariar should be exempted from payment of tax.

I beg to point out that, as to the levy of the tax on the portion of the pension of Rs. 12-11-9, there can be no question, as it is clearly known that the pensioner has other income which added to the above named amount exceeds Rs. 500/a year, and the amount is therefore assessable under Part I of the Act. Vide note 1 to Section 4 of the Act in Mr Grimley's Income Tax Manual.

As regards the liability to taxation of the other portion of the pension viz Rs 35-6-4 payable from the Mysore Durbar Treasury, the settlement of the question is dependant on the further question whether or not the pensioner resides in British India. If he does reside in British India, then this amount also is assessable agreeably to the note to section 3 (5) of the Act in the Manual referred to above, which gives a Finance Department order li. 12370 of 21st December 1860 and runs as follows-

" A

" A party residing in the British territories in India will have to pay upon any income or profits from whatever source derived, which such party may receive in India -

In the present case it may be argued that the actual receipt did not take place in British India, but from the 2nd para of the note no stress should apparently be laid upon this circumstance, the fact that the pensioner enjoys other income from whatever source derived only being considered -

The above opinion applies with equal force to the cases of the other Officers referred to in the 2nd para of your letter under reply -

I have &c

"Copy" (Signed) F.B. Clogston
Accountant General.

W. C. Clogston
Collector, C & M. Str.

[D R A F T .]—For approval.

No. A/3446
4786Dated 29th Decr. 1886.

To.

The Collector.

C. & M. Station
of Bangalore.

Pr.

I am dir. to ask the receipt
of your letter No. 206 of 30. Nov. '86
on the subject of the liability
to assessment under the Income
Tax Act of persons residing in
the C. & M. Station of Bangalore
who draw their incomes from
the Mysore State.

2. The case which has occasioned this
reference is that of V. Rungachari
who resides in the C. & M. Station,
receiving a pension of Rs. 48. 2. 1
Rs. 12. 11. 9 of which is paid by the
Br. Govt. and the balance from
the Mysore State. The Accountant
Madras who was referred to by
the Dy. Officer Bangalore is of

Resident

Consent of Dy. Officer

OK

29.12.86

Rungachari, S.
and wife, lives in
the Station.

opinion that as Rungachari,
total income exceeds Rs. 500 p. a.

the part of it wh. he receives from
the Govt. is clearly taxable
under part I of the Act & that
the remaining portion is also
assessable under certain conditions.

3. In the letter under reply
you mention that the present
expression of the A.S.' opinion
conflicts with the ~~2~~ ¹ ~~rulings~~ ^{opinion} of the
President on the question of liability
to income tax & communicated
to you in the letters marginally
noted & ~~the one of these cases~~ ^{the Dept. has referred to them 2 cases}
~~Picken was deemed to be exempt~~ ^{and instructs me to say that}
~~from the pay of Income tax,~~
but there is nothing in the
A.S.'s letter opposed to that
ruling in Dr. Picken's ^{case} ~~case~~ ^{but gentlemen}
Bengal, outside the limits of
the C. & M. Str. and as though
a Mr. Subject he is not in the
service of the Govt. of India.

Letter No. $\frac{2194}{4786}$ and

$\frac{2921}{4786}$ dt. 4 Aug. 2

1st Dec. 86 V. C. 1221

11

Sec. 5 (1) (j), further, Mr. Pickens
Salary paid him in Mysore
outside the C. & M. M. and
received by him there was
not income within the
meaning of Sec. 3 (5). ^{for registration}

In the absence therefore of
proof that any other income
but the pension accrued or ~~was received~~
arose to Mr. Pickens, or was
received by him, in the
C. & M. M. the Resident ruled
that the pension was exempt
under Sec. 5 (1) (j).

4. As regards the Resident's
orders in the second and
more general case covered
by me in letter N. 2921-4786
of 1. Nov. 1886, I am to inform
you that on reconsideration
of the point then raised, by
~~the Resident's order~~

I enclose with
this letter a copy
of my views on
the subject.
Respectfully,
Yours,
J. M.

4/

The other ruling to which you refer appears

to be that contained in Major Francis letter

No. $\frac{2921}{4786}$ of 1st ult., ^{in which you} ~~this ruling was given~~

~~in reply to your letter 22nd 86 of 21st October 1886,~~

^{question}
~~concerning whether pensions paid by the Mysore State~~

while the C & M. St^s to men residing in the

C & M. St^s were liable to be annexed. ~~It~~
was answered in the negative.

~~has the effect that such pensions are not~~

^{pensions}
~~liable~~ ^{are}, I am to believe, clearly not

liable ~~to be annexed~~ as such pensions under Part 1(1),

and if the reply sent him had been merely worded

to that effect the ruling would have been right,

but in saying broadly that such pensions are

not liable under Act II of 1886 as substituted

~~the C & M. St^s it went too far~~

6

From consideration of the point it appears that
clearly that such pension payments ~~must~~ are received in the C & S
and must ^{(within the meaning of Sec 3(5))}
be calculated under Part IV, as income of the person

of the person ^{drawing} receiving them, as they are

income received in the C & S

~~the meaning of Sec 3(5)~~ - Provided that

a person residing in the C & S receives
or enjoys an income over £500 per annum
he is ~~not~~ taxable in the C & S

to have the income to draw from - the terms

the best - Grants meaning and the meaning

of the Act and the Revenue observes that -

it is in accordance with G.O. No. 538 ? 548 & 32 July
of 30 June 1886 of the Madras Govt.



and Masters Board Proceedings of

30 July 1886. L. 1730. - The point therefore
is clear and you should act accordingly

5. I am to ask that things ^{these} ~~the~~ ~~other~~ work
be carried into effect without delay, and
are at liberty to make representations if,
from actual experience, you find that they
cause complaints, and sufficient reason for
considering that they bear hardly on
particular classes living in the C.M. St^h,
but drawing their incomes from outside - It
would be possible to ask the Govt. of India
to grant special exemptions, but Govt
of India would have to be advised.

11 25/12/1907. M.L.

RESIDENT'S OFFICE.

Serial No.

7

[D R A F T .]—For approval.

No. 731 / Encl.
4786

Dated 7th March 1887.

To

The Collector.

C & M. S of Bangalore.

Sir.

In returning here with your letter
no. 281, dated 21st ultimo, to the address
of the Chief Secretary to the Government
of Mysore, I am directed to ^{state that} request
~~that the Durbars employees living in~~
~~the C & M. S who are liable to the in-~~
~~come tax, may be ascertained through~~
the agency employed for furnishing
the income of persons in the station
liable to assessment under Part IV
of the Act should ascertain what
Durbars employees I have to
are living in the
C & M. Station -

M

Asst to the Resd

C.S.
11/3/87. H.

Subramanian

(a) Is the procedure correct?

(b) Should the Collector

draw the persons who are

taxable into a schedule

which they shall be required

to fill up?

OK

26²/₀₇

31

(a) Does not appear to be correct

(b) No.

Please see the accompanying
-ing slip. C.N. 26/2/07.

It has been decided that salaries
pensions ~~to~~ paid by the Durbar
~~to its employees who are~~ ^{to persons} residing
in the station are liable to taxa-
tion under Part-II, provided
that the income of such
employees is 500 or upwards
for annum. The Collector should
therefore assess these persons
just as he assesses others in the
station under that Part. These
salaries may be treated as
one of his sources of income.

The Collector finds out
the income of persons through
the Clerk he has employed
for the purpose or through
the Municipality and
then issues a list or notice
calling upon the assessors
either to pay the amount of
assessment therein specified
or to object to the same. No
Schedule is sent to the assessors
to fill up, but it is under
contemplation to do so
if required from the beginning of the
next year.

In the Collector's letter

he asks the Durbar to furnish him with the names of Mysore officers and subordinates who are residing in the Station and whose monthly salary is Rs 41-10-8 and upwards. But - Salaries alone are not liable to assessment under Part IV. They are taken into consideration in determining the income of a person ^{from all sources} which income is taxed if it is 500 Rs or upwards for annum. Therefore a Clerk on Rs 15 is liable to tax if his income from all sources ~~is Rs 500 or upwards~~ including his pay is Rs 500 or upwards.

The Clerk (employed by the Collector for finding out the income of persons in the Station) or the Municipality should, if submitted, find out the employees under the Durbar residing in the C & M. S. who are liable to assessment under Part IV.

The Collector may if approved be informed accordingly.

C.S.
26/2/07.

Respect

I propose to return this letter from the Collector & to request him to ascertain what Durbar employees are living in the C & M S.

Yes it is
admissible & - 26²/₀₇ OR
written Durbar
- 26²/₀₇

By M
26²/₀₇

to 29 Dec: 2

8

Office of the Collector of Income Tax
Civil and Military Station
Bangalore 22^d April 1887

From

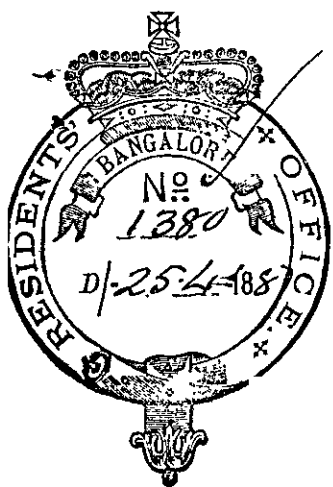
The Collector of Income Tax
Civil and Military Station
Bangalore

To The Assistant to the Resident
in Mysore

Sir

Serial 6

I have the honour to inform you that
in accordance with the terms of Para 4.
of your letter to A dated 29th December 1886
478 notices were served to all Officers and
Officials employed in the Mysore State
but residing in the Civil and Military
Station of Bangalore whose annual income
is over Rupees 500/ and several of them
returned the notices with a statement
that they are not amenable to the income
tax as their income does not accrue and
arise or received within British India
as prescribed in Section 3 Sub section 5
of Act II of 1886:



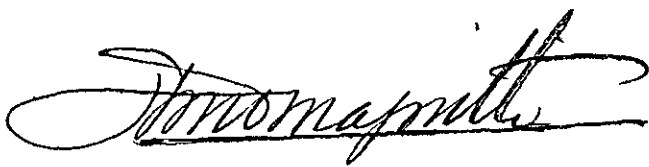
Letters from Messrs W. Eagle and
Barrow dated 20th and 19th April 1887 respectively
on the subject are enclosed, and I request
you will be so good as to move the President
to pass a formal ruling on the subject and
that the same be communicated to the
Dewan for circulation to the Heads of
Departments for information.

It appears anomalous, that several
Mysore Officials and others who are paid
by the Mysore Government, but who happen
to reside in the Civil and Military Station
should be taxed on their salaries when
their fellow Officials who live just over
the boundary in the Pettah and elsewhere
should be wholly exempt from taxation.

I have the honour to be

Sir

Your Most Obedient Servant


Collector, Com Sta.

Referred in Para 5 Column 3
of the Act as proposed reading
"being or passed in"
which should be - by which
Act is not correct as above
of British India neither
is it necessary therein.
It cannot therefore be
classified under Section
104 under Part VI
of the Act.

I beg that the point
may be referred for
the orders of the President
if you should state
them otherwise. —

Yr Obedient
Servant

W. E. Gladstone

By 6046 Page 94-95
20-4-87

To the Collector

Chief and by Station
Bangalore

Sir I am in receipt
of your offl. letter No. 217
dated 16th instant (read)
today/ saying that I am
transferable under part VI with
reference to where the
income is drawn from.
As long as I reside in
the Civil & Military Station

Part VI of the Revenue Act
Act II of 1886 applies to
"Other sources" and the
1st Column passes through
Source of Income and
included in Part I Part II
or Part III if their schedule.
The word "Source" is

Rs 175 per mensem, minus Rs 32.4-11 being subscription to the General Family Pension Fund Calcutta for provision for wife & children after death.

In Rs 48
20/4/87
JMK
Co.

By Rs 48
20.4.87 Infantry Lines
Bangalore 19th April 1887.

The Collector Civil & Military Station
Bangalore.

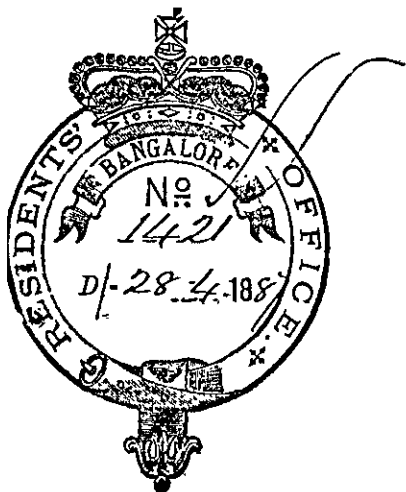
Sir,

With reference to your No 8 of the 1st Instt (received on the 18th) requesting me to prepare a return of the income derived by me, I have the honor to state that the income received by me as Manager of the Comptroller's Office by me is exempt from the tax under rule 5 of Sec 3 of Act II of 1886, inasmuch as the income is received out of the Civil & Military Station & is not paid to me by the Govt. or by a local authority established in the exercise of the powers of the Governor General in Council in that behalf; as well as by the Resolution of Govt. of India in the Dept. of Finance & Commerce No 2650 of 21st August/86 published at page 440 Part I of the Mysore Gazette of 25th September/86.

The other incomes accruing to me in the Civil & Military Station of Bangalore from 1st April/86 to 31st March 1887 did not amount to Rs 500/-

I have the honor to be
Yr Obedt. Servant.
A. Panov

No 31 Enc. 1 Office of the Collector of Income Tax
Civil and Military Station
Bangalore 25 April 1887



From

32.
The Collector of Income Tax
Civil and Military Station
Bangalore

To The Assistant to the Resident
in Mysore

Sir

In continuation of this Office No 29 dated 22^d April 1887, I have the honour to forward for information a copy of letter received from Mr S. R. A. Shumboo Chettiar, Judge Chief Court of Mysore protesting against the levy of Income Tax on the salaries &c of the Officers and others residing in the Civil and Military Station on the ground that their income does not accrue or arise within those limits

I have the honour to be
Sir

Your most Obedient Servant

Thomas Smith
Collector, C & M. Station.

To

The Collector

Civil and Military Station ³¹

Bangalore

Sir,

With reference to your docket no 18 dated 20th Instant, I beg to enquire (1st) whether income derived solely within the territories of Mysore and outside the limits of the Civil and Military Station of Bangalore, should be included in the schedule which I have been asked to fill up and return, and (2nd), whether the salary which I draw from the Mysore Government Treasury, the whole or a greater portion of which is invested outside the limits of the Civil and Military Station, should also be included. On receipt of this information I shall send you an amended Return.

In your docket it is stated, that I should include in the schedule my income derived from all sources, and you also add, that I am taxable under Part IV within the meaning of Section 3, Sub Section 5, Act II, of 1886- without reference to where the income

is drawn, so long as I reside in the Civil and Military Station and receive and enjoy an income over Rupees 500 per annum -

Act II of 1886 was introduced into the Civil and Military Station of Bangalore, with the modifications set forth in Government of India Notification No 2165 I, dated 24 June 1886 -

The most important modifications are these:- (1) The word "income" has been so defined as to limit it to "income and profits accruing and arising or received in the Civil and Military Station of Bangalore." The rest of the definition, as contained in sub Section 5 of Section 3 of the original enactment, has been purposely omitted, thereby exempting from taxation income received accruing and arising or received outside the limits of the Civil and Military Station. I would invite your attention to the words "and includes x x - - - - any salary, annuity x - - - -" in the above, from which it will be clear that, but for this express provision, the word "income" in the first part of this sub-Section would not have included "Salary" -

Article 2, Part I of Schedule II, has been altogether omitted, and Article I has been amended, so as to render liable to the

Part I tax only "any salary, annuity, pension, or gratuity paid in the Civil and Military Station of Bangalore, to or on behalf of any person residing in the (said) Civil and Military Station". Part IV is restricted to

other sources of income, not falling under

Parts I, II and III. My salary, I submit, is

taxable only if it is paid within the Civil and Military Station, but you seem to

think that although the salary is not paid to me in the Civil and Military Station, yet

as it is received and enjoyed by me, it is taxable. The word "enjoyed" is not to be

found in the Act, and you have apparently used it to extend considerably the meaning

and scope of the word "received"; but the words of a statute are to be taken in their

natural and ordinary signification and import. It is true I receive and enjoy

a salary from the Mysore Government; but the Act says, that to assess such salary

it must be paid to me in the Civil and

Military Station. It is not so paid. It is paid in His Highness the Maharajah's Treasury, and I may invest every pie of it, anywhere without bringing it to the Civil and Military Station. Even if you treat the savings of my pay as income accruing to me, it is not income received by me in the Civil and Military Station, so as to render the same liable to taxation under Part IV.

Chapter III provides for a special mode of assessment and collection of ^{tax} income tax on salaries and pensions. In ^{Part I} the case of a public servant like myself the tax on my pay, if liable to assessment, has to be deducted monthly under Article 1, Part I. This has to be done by your instructing the Officer who disburses my pay to make the deduction monthly. If the Act does not empower you to do so, by reason of the salary not being paid to me in the Civil and Military Station, I submit, I cannot be legally compelled to pay the tax by lumping together a whole year's pay and shewing it as other income falling under Part IV.

However strictly the Act may be construed

construed, it does not, in my humble opinion, authorize the taxation of salaries which are not paid in the Civil and Military Station or of incomes which do not accrue and arise and which are not received within the said Station. That the Government of India did not intend to subject such salaries and incomes to taxation is clearly deducible from the modifications with which the Act has been extended, and from a view of the whole and every part of the Act taken & compared together. There can be no doubt that taxing incomes derived in a Foreign State would be wholly unconstitutional and repugnant to all principles of natural justice.

As the question is a very important one, affecting, as it does, many of the officials employed under His Highness the Maharajah's Government, but who have been residing in the Civil and Military Station from and before the Rendition, I beg I may be permitted to suggest that a reference be made to the Resident for

an authoritative ruling.

Before concluding this letter, I beg
to state that, although I am employed in the
Native State of Mysore, yet I am regarded
as an Officer of the British Service and
on transferred to the said State vide Assistant
Resident's letter to the Durbar

no 2191 dated 7 November
1885. Contribution towards
my pension is being paid
to the British Government
and, under the authority
quoted in the margin
my salary is exempt
from taxation.

"Copy"

Thumbar Chetty

Collector C & M. S. T.

Notification no 2650 dated 21st

August 1886 published in the

Mysore Gazette 25th September, 1886

Page 139-

"The Governor General in Council
is pleased to declare that the salaries
of Officers serving outside of
British India whose services have
been lent to & whose salaries are
paid by Native States are not
liable to the tax leviable under
Act II of 1886."

I have seen

/ Sd/- J. R. A. Thumbar Chetty

Bangalore 25th April 1887



N. 1730/4786... E. 3. 10
Mysore Resident's Office,
Bangalore, 4th June 1887.

To,

The Secretary to the
Govt of India
Foreign Department.

Mr.
G. S. 5/7

Sir,

I have the honor

25

to refer for the orders

of the Government of

India the question of

the liability to assessment

under

under the Income Tax



Act of persons residing

in the C & M station who

draw their incomes as
part of their incomes

from the Mysore ~~State~~ ^{territories}

beyond the limits of the C & M. Whether or not the
shape of salaries, pensions, professional earnings, profits
of trade or otherwise
2. The question

arose out of a refer-

ence made by the

collector



~~of the C & M St^d~~ regarding the liability to

assessment of ² ~~the~~ pension drawn by a ^{European}

~~European~~ pensioner residing in the C &

M St^d of Bangalore - and W. L. L. L.

decided that income thus arising was

taxable -

23

2. There are some officials in the employ:

of the Mysore Govt: who have within these ~~limits~~ ^{limits} & in accordance with W. L. L. L.

rules they have been recently called

upon by the Government to pay income

on the grounds that the
such receipts constitute income
received in the C & M St^d &
taxable -

tax on their salaries under part IV
of Act II of 1856. The whole thus



issued have been given use to protect

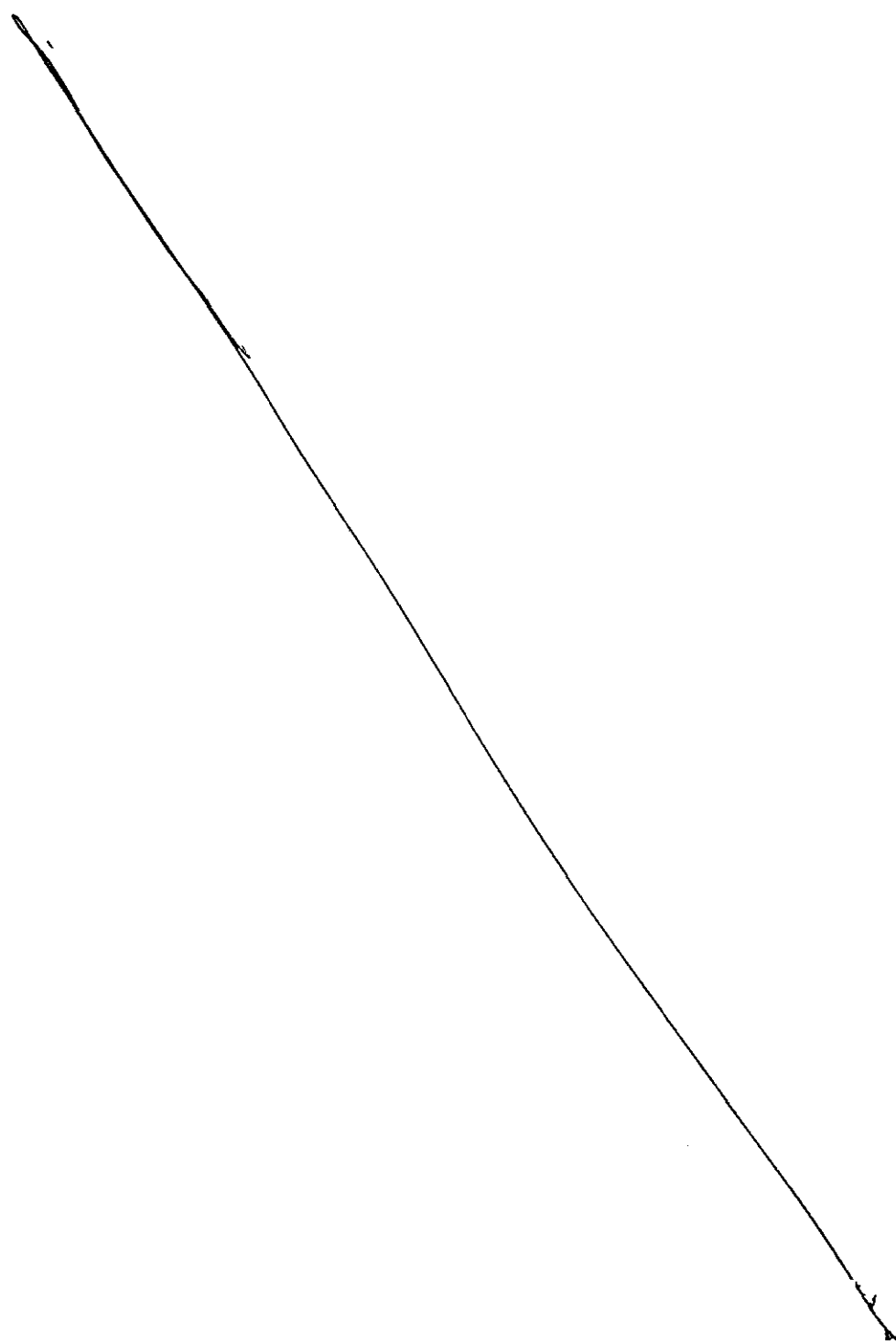
from 3 known officials of which

copies are enclosed

W. Thomsen Chetty.

As per of the copy book

copy of English & Bama



know, of whose letters

of protest copies have

is herewith forwarded for
been submitted to me

the information of the Govt of India
by the Collector

I think because that
4th. The ground on which

21

the barbarous officials

claim exemption is

that their salaries are

not received in the

the C & M Station, as they ^{and thus the meaning}
of the act

are paid to them at the

our has Treasury out =

side the C & M Station

limits,

5
The word "received" is,

it must be admitted,

somewhat ambiguous,
12,

but I believe the Cons²
struction



construction which has

~~Intents~~ ^{Intents} ~~Admiration~~
here put on it has been

that where the Act speaks

of money "received" by

a man in B. India,¹⁹

it means to include

all the money which would

be entered on the receipt

side if a statement of



of his income and expenditure

in British India were made

up. The old income

Tax Act (~~XXXXII~~ of 1860) —

places the point now raised

beyond doubt, and the

new Act does not seem

to have introduced any

change in ^{this} respect.

Rs 7.00.12,370⁶/₁
 21.12 60 cited in Mr
 Girdhar's information
 Manual under Sect. 3(5)
 If the present Act seems to be
 cited as an authority for
 this view of the matter
 before the court and Mr. C.
^{was respected}
 it is ~~expressed~~ as not
 decided for reference
 here. I am not in a
 position to judge how
 far it is to be
 followed.

~~For these~~
the rulings of the Madras

however
but quoted at pages 81, 82,

and 86 of the Madras Manual

dated respectively 11th June

1886, no. 466, 3rd July 1886, no. 548,

and 30th July 1886, no. 1730,

are distinct authorities in

favor of the above Construc-

tion It may be added that
if the Construction

Contended for by the Turkish

officials was correct, it is

difficult to see what could

have been the object of

adding the words or
"

received" in the Act.

Mooney ^{would} ~~could~~ not be {
Situations being accepted
circumstances

received in the sense

Contended for by them
i.e.



i.e., would not pass from

the Debtor to the Creditor

in our territory unless

it was payable there and

15

if it was payable there

it would be income "ac-

cruing and arising" there

have no application
except in a very limited
class of cases and
which have been within
the contemplation of the
Legislature

and so the words "or

received would be

~~superfluous~~

Lastly



I suppose there can be

no doubt ~~whatsoever~~ that

it is in accordance with

the general principles

upon which Acts of this

sort are framed to

tax income which falls

due and is paid by a

debtor abroad and sub:

sequently passes into and

comes to form part of

through I obtained
letter from Mr. Simley in
a recent issue of the Times
regarding the taxation of
allowances made by him to his
wife in England, which
I recollect rightly want
to show that this rule
is not need of applied
in England

an income in the country

imposing the tax

13

With reference to

Mr. Thumho's letter, letter,

already referred to, I would observe
copy of which is here:

with forwarded, it seems

seems to me clear that

any portion of the salary

paid on other income ac=

owing beyond the C & M

Station which is invested

beyond the C & M Station,

or for any other reason.

is never brought into the C & M

Station, is not taxable.
PSK 26.5.87.

No 3163 I.

From

The Junior Under Secretary to the
Government of India,

To

The Resident in Mysore.

Foreign Deptt.

Dated Simla, the 13th July 1887.

Sir,

S. 10.

In reply to your letter No. $\frac{1730}{4786}$ dated the 4th June 1887, I am directed to state that the Governor General in Council is pleased to rule that income tax should not be levied from officials or pensioners of the Mysore Darbar, who are resident within the limits of the Civil and Military Station of Bangalore, in respect of any portion of their income received as official salary or pension from the Darbar.

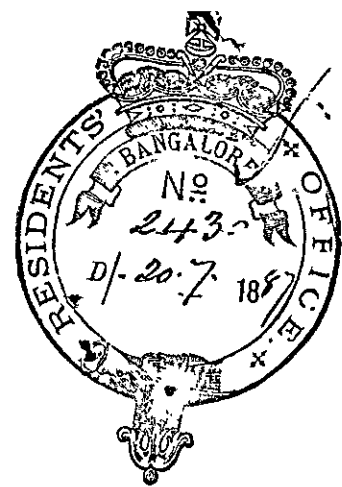
I have the honor to be,

Sir,

Your most obedient servant,

Locke
Junior Under Secretary to the
Govt. of India.

SWH



RESIDENT'S OFFICE.

Serial No.

[D R A F T .] — For approval.

No. 2336
4786.

Dated 23rd July 1887.

To

S. H.

Here enter letter No. 3163 J. L. / 13th
July 1887 from the Foreign Deptt.

Copy forwarded to the Collector
C & M. S. of Bangalore for information
with reference to the correspond-
ence ending with his letter No. 31,
dated 25th April 1887.

S. G.

10
Sent to the Resd

Chd.
20/7/87. H.L.

Remained to office hotel.

Remained to Office note.

Remained to office holi-

[DRAFT]—For approval.

29

Dated 29-5-1893 To

No. 1012 Enc: 1.
470.06.

The Arch. Genl.

Madam.

Sir,

The Resident's Treasury has, since the introduction of the Income Tax Act 1861, the C. M. Station of Bangalore, levied a tax ^{as a rule} on the pension of a retired official ^{of the Mysore State}. When the pension paid by the Treasury added to the pension drawn by the same individual from the Mysore State outside the limits of the C. M. Station amounts to over Rs 500/- a year

2. This question was raised in 1887 and submitted to the G. of I. In order to I am to enclose to you information and copy of the correspondence on the subject, ~~and to add~~ ~~that the said correspondence~~ ~~transcribes~~ from which it will be seen that the G. of India have ruled in the C. M. Section that pensions drawn under such Crown Grants are not liable to income tax.

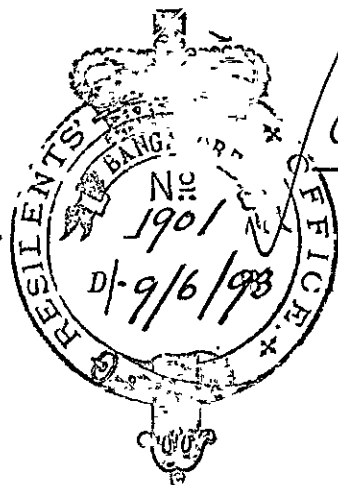
Ltr. No. 1730
4786
of the 4th June 87
to the G. of India
I for: Dept. Repy
No. 3163 of the
13th Aug 87.

3. I am to ask that the necessary instructions may be issued to the M.D.
as regards the future payment of such pensions. I am etc.

H. 19. v. 93

M. A. C. C. C.

Resident DEPARTMENT.



FORT ST. GEORGE,
Accountant-General's Office,

No. $\frac{9 A.D.}{515}$

7 June 1893.

From

J. W. Lawlis Esq.,

ACCOUNTANT-GENERAL TO THE
GOVERNMENT OF MADRAS,

THE Officer in charge of Residents Treasury,
Bangalore.

May be filed
H.
10-6-93.

Shawted Invoice
with refer. 15th 13.

File
R

SIR,

I have the honor to state that the Government of India in its letter No. 3163 dated the 13 July 87 to the Resident in Mysore decided that Income Tax should not be levied from officials or pensioners of the Mysore Durbar who are resident within the limits of the civil and military station of Bangalore, in respect of any portion of their income received as official salary or pension from the Durbar. I have to request that you will be good enough to carry out these instructions.

I have &c.
Edw. H. S. Jones
For Accountant General

No. $\frac{9 A.D.}{516}$

Copy forwarded to the 1st Assistant

to the Resident in Mysore with reference to his letter No.

(11)

1812 dated the 29th May 93.
478-86

H. S. Jones

7 June 1893.

W.

For Accountant General

From
THE ACCOUNTANT-GENERAL,
MADRAS,

To
THE

No.

Dated
Received }

No.

SUBJECT.

18

187169

R. P. B.—5-08.—400.

No. 402
9T

OFFICE OF THE COLLECTOR,
CIVIL AND MILITARY STATION, BANGALORE.

Dated 17th February 1909.

FROM

P. L. Moore Esq., I. C. S.,

COLLECTOR,

CIVIL AND MILITARY STATION,

BANGALORE.

OFFICE,
BANGALORE
9/2/09
To
Date of Receipt 19-2-09
File No. 478/86

T. B. Copeland, Esquire, I. C. S.,

FIRST ASSISTANT TO THE HONOURABLE THE RESIDENT
IN MYSORE.

SIR,

2

82-11

82-12

I have the honor to request that you will be so good as to furnish me with a copy of Government of India letter No. 3136 I dated 13th July 1887, received with Assistant Resident's endorsement No. 2336/4786 dated 23rd July 1887, regarding the exemption of income tax on pensions received from the Mysore State by -- those who are living in Civil and Military Station.

I have the honor to be,

Sir,

Your most obedient servant,



Collector.

Wmft endorsement is not for approval.
20/2/09
Rd/2/09
R-2/09



RESIDENT'S OFFICE.

Serial No. 19
File No. 47
'86

[D R A F T .]—For approval.

From

T. B. COPELAND, Esq., I. C. S.,
1st Assistant to the Resident in Mysore.

To

No. 1161

dated 23rd February
1909
A. 11

[Here enter letter N. 3163.9.]

Dated the 13 July 1887 from the
Govt of India, Foreign Department]

A copy of the foregoing letter
is forwarded to the Collector, 2nd Class
Station of Bangalore, for information,
with reference to his letter N. 402.3.7
dated the 17th February 1909.

R²⁰/₂ 19
Resident

27/4/09
21/6/09

22/4/09